

Message Text

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ACTION PM-04

INFO OCT-01 ARA-06 ISO-00 NSC-05 SP-02 SS-15 CIAE-00

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USCINCSO QUARRY HTS CZ

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E.O. 11652: N/A

TAGS: MASS, BL

SUBJECT: 1975 FMS CREDIT ARRANGEMENT

REF: (A) LA PAZ 6112 (B) LA PAZ 7240

1. I AM VERY CONCERNED ABOUT THE LACK OF FAVORABLE RESPONSE TO REFERENCE MESSAGES AND WISH TO PROVIDE FURTHER BACKGROUND INFORMATION WHICH I HOPE WILL ASSIST IN ARRIVING AT AN IMMEDIATE, FAVORABLE DECISION TO ALLOW RENEGOTIATION OF THE PAYMENT SCHEDULE.

2. THE GOB ORIGINALLY INTENDED TO USE THE \$4 MILLION 1975 FMS CREDITS FOR THE PURCHASE OF M48A1 TANKS. DUE TO THE LONG LEAD-TIME INVOLVED IN DELIVERY OF THE TANKS, THEY OPTED FOR EQUIPMENT FOR TWO 105MM HOWITZER BATTALIONS. LETTERS OF OFFER FOR THIS EQUIPMENT WERE PREPARED DATED AUGUST 19, 1975 AND COURTESY COPIES WERE GIVEN TO THE GOB MILITARY ATTACHE IN WASHINGTON IN SEPTEMBER 1975. SUBSEQUENTLY, DUE TO NON-AVAILABILITY OF THE HOWITZERS, THE LETTERS OF OFFER WERE WITHDRAWN WHILE THE U.S. ARMY STUDIED ITS OVERALL POSTURE CONCERNING 105 HOWITZERS. AS A CULMINATION OF THIS STUDY WE ARE

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ONLY NOW IN SEPTEMBER 1976 RECEIVING NEW LETTERS OF

OFFER FOR THE HOWITZER BATTALIONS WHICH FORESEE A THREE YEAR LEAD-TIME FOR DELIVERY AND A HUGE PRICE ESCALATION WHICH WILL RESULT AT LEAST IN DOUBLING AND OR PERHAPS TRIPLING OF THE ORIGINAL PRICE ESTIMATE FOR THE EQUIPMENT FOR TWO BATTALIONS. I CANNOT PREDICT AT THIS TIME WHETHER OR NOT THE GOB WILL ACCEPT THIS NEW OFFER, BUT THE GOB HAS DISCARDED THE FMS CREDIT OF FY 75 FOR THIS PURCHASE.

3. THE 1975 CREDITS HAVE THUS REMAINED UNCOMMITTED SOLELY DUE TO PROBLEMS ON OUR SIDE. MEANTIME PRESIDENT BANZER PERSONALLY HAS DECIDED THAT THE \$4 MILLION SHOULD BE USED BY THE BOLAR ENGINEERS, A DECISION WHICH I HEARTILY ENDORSE. THIS VISIBLE AND DELIBERATE MOVE BY THE GOB NOT TO ENTER IN AN ARMAMENT RACE SHOULD RECEIVE OUR ENTHUSIASTIC SUPPORT IN THE FORM OF WILLINGNESS TO RENEGOTIATE THE PAYMENT SCHEDULE. WE MAY ALSO RECOUP SOME OF THE GROUND LOST IN OUR FAILURE ON THE HOWITZERS. TO INSIST THAT THE BOLAR ENGINEERS STICK TO A PAYMENTS SCHEDULE ARRANGED LONG AGO FOR THE PURCHASE OF HOWITZERS AND TO FORCE THEM TO MAKE RETROACTIVE PAYMENTS IMMEDIATELY UPON DISBURSEMENT IS POLITICALLY UNACCEPTABLE AND WILL CAUSE THE USG ILL-WILL WITH THE OTHERWISE FREINDLY GOB.

4. AS I STATED EARLIER, WE DO NOT KNOW EXACTLY WHAT GENERAL BRETEL MAY REQUEST. HOWEVER, I STRONGLY URGE THAT WE BE WILLING AT LEASE TO RENEGOTIATE PAYMENT DATES, NOT NECESSARILY THE AMOUNTS. WE NEED TO HAVE A FAVORABLE REPLY SOONEST AS WE ARE IN FREQUENT TOUCH WITH GENERAL BRETEL, A CLOSE FRIEND OF THE MISSION, AND OUR LACK OF FAVORABLE RESPONSE IS BECOMING EMBARRASSING.

STEDMAN

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